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C O N F I D E N T I A L SECTION 01 OF 02 TBILISI 000849

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TAGS: [ENRG](#) [ECON](#) [PGOV](#) [PREL](#) [RU](#) [AZ](#) [GG](#)

SUBJECT: GEORGIAN PM SAYS TURKMEN INTERESTED IN WESTERN INVESTMENT, LNG

REF: TBILISI 788

Classified By: Ambassador John F. Tefft for reasons 1.4 (b) and (d).

1.(C) SUMMARY: Prime Minister Nika Gilauri regaled the Ambassador April 30 with a readout of his April 22 trip to Turkmenistan. Gilauri said that while he found Ashgabat quite surreal, the trip was successful and he sees the potential for cooperation with Turkmenistan to develop offshore natural gas deposits. He said that Turkmen President Berdimukhamedov was quite welcoming and appeared annoyed with the Russians. The Turkmen leader asked Gilauri to tell the U.S. that offshore Turkmen gas deposits were up for grabs and that he was interested in attracting western investment. Berdimukhamedov stressed that pipelines are susceptible to geopolitical pressures and that he would far prefer to see liquefied natural gas (LNG) structures developed that would allow Turkmen gas to be fed into the existing South Caucasus Pipeline (SCP). We would appreciate the Department's reaction to Gilauri's presentation. END SUMMARY.

A WARM WELCOME TO OZ

¶2. (C) Gilauri started the meeting by describing Ashgabat as a &cartoon8 city. He said that visiting Turkmenistan was unlike anything he had ever experienced before, and went on to highlight the surreal nature of the first Turkmenistan Energy Summit. The PM found the orchestrated clapping for Turkmen President Berdimukhamedov "awe-inspiring" and entertaining. He said that the Turkmen president was very welcoming and video footage of the two meeting and shaking hands was played repeatedly on Turkmen television. In a definite poke at the Russians, Gilauri said Berdimukhamedov made a point of asking Gilauri, in front of the cameras, to please say hello to his best friend Misha Saakashvili.

TIMING RIGHT FOR GAS DISCUSSIONS

¶3. (C) Gilauri said the timing of his trip to Ashgabat was good, as Berdimukhamedov was clearly frustrated at the country's inability to export gas for the last ten days due to pipeline problems devised by the Russians. Gilauri said that he approached the Turkmen president in a straight forward manner, and immediately got to the reason for his visit - how Georgia could help Turkmenistan get gas to the West. Gilauri said that Berdimukhamedov seemed to appreciate his directness and responded in a similar manner.

PIPELINES ARE TOO RISKY, LET'S DO LNG

¶4. (C) The Turkmen president said in the past he would have advocated building consensus between countries in the region including Iran. He said however that now he realizes this would be futile, and that any pipeline would be at risk, because once it was built, Iran, Russia and Azerbaijan all might attempt to block the line to influence delineation discussions. Berdimukhamedov said he sees LNG as the solution to geopolitical wrangling. He told Gilauri that Georgia or the West could have as much off-shore gas as they wanted, but it should be taken in the form of liquefied natural gas (LNG) and not through a pipeline. He stressed,

however, that onshore deposits belonged to the Turkmen people and were not available. The discussion then turned to visions of developing an LNG system. The two agreed that LNG terminals would need to be built on both the Turkmen and Azerbaijani sides of the Caspian probably at a 30 BCM capacity. In Azerbaijan LNG would be re-gasified and transported out through the existing South Caucasus Pipeline Qtransported out through the existing South Caucasus Pipeline (SCP). While both Berdimukhamedov and Gilauri acknowledged that developing the LNG structure would be more expensive than a pipeline, they stressed it would be less susceptible to political whims.

TELL THE U.S. OFFSHORE RIGHTS ARE UP FOR GRABS

¶5. (C) Berdimukhamedov asked Gilauri to communicate to the U.S. that Turkmenistan wants foreign investment and that they are ready to give offshore rights to interested American companies. He asked Gilauri to tell the U.S. to encourage American companies to look at Turkmenistan.

NEW ARCHITECTURE FOR CASPIAN GAS, RUSSIANS MAYBE NOT NECESSARY

¶6. (C) Berdimukhamedov told Gilauri that Turkmenistan had decided to hold its first ever Energy Summit with the intention of developing a new strategic system of transporting natural gas from the region. Given Berdimukhamedov's state of mind, Gilauri clearly thought this meant developing a new transportation system that would neutralize Russian influence. The PM added that when the general director of GazProm visited Turkmenistan several months ago, the Turkmen president refused to meet him. The PM said he thinks Turkmen discussions with the Chinese are making them more confident in their dealings with the Russians. Gilauri said three factors motivated the Russians to blow up Turkmen natural gas pipelines: first, the energy conference, second, the falling demand for natural gas now in

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Europe and a Russian lack of capital to make promised gas purchases from Turkmenistan, and third, the Chinese pipeline. NOW ON TO BAKU

¶7. (C) Gilauri said that he plans to go to Azerbaijan in the near future to discuss the possibility of forming a joint Georgian-Azerbaijani company to look at developing and exporting Turkmen gas (reftel). He said he discussed this idea with the Turkmen, who despite tensions over delineation issues, said they would support such a company. Gilauri said Azerbaijani support for this idea was of course critical and he hoped his trip could convince them of the need to explore new ways to develop Turkmen gas.

COMMENT: USE TURKMEN CONCERNS TO DIVERSIFY CASPIAN GAS

¶8. (C) Following the recent signing of an MOU between the Azerbaijani state gas company SOCAR and Russia's GazProm, it appears the Georgians have decided to take a more active role in helping to diversify Caspian gas. This is clearly in their interest both geopolitically and financially. If Caspian gas transits Georgia to the west, the country stands to benefit financially from transit fees. The development of Turkmen gas would also help increase Georgian energy security by further diversifying gas supply beyond Russian and Azerbaijan. The Georgians appear nonplused by Turkmen efforts to use them to irritate the Russians, as Berdimukhamedov did when he greeted Gilauri with a public display of support for Georgian President Saakashvili. We would appreciate the Department's reaction to Gilauri's presentation, so that we can help steer the Georgian PM in the right direction.

TEFFT